



EB-2007-0582

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by Toronto
Hydro-Electric System Limited for an order or orders
approving or fixing just and reasonable distribution rates
and other charges, to be effective May 1, 2007.

BEFORE: Paul Sommerville
Presiding Member

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION AND ORDER

Toronto Hydro-Electric System Limited (“THESL”) is a licensed distributor providing electrical service to consumers within its licensed service area. THESL filed an application with the Ontario Energy Board (the “Board”) for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, to be effective May 1, 2007.

THESL is one of 85 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board issued its *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors* (the “Report”) on December 20, 2006. The Report contained the relevant guidelines for 2007 rate adjustments (“the guidelines”) for distributors applying for rates only on the basis of the cost of capital and 2nd generation incentive regulation mechanism policies set out in the Report.

THESL applied for an adjustment to its distribution rates on January 26, 2007. Public notice of THESL's rate application was given through newspaper publication in THESL's service area. The evidence filed as part of the rate application was made available to the public. Both THESL and interested parties had the opportunity to file written submissions in relation to the rate application. The Board received no submissions.

The Manager's Summary of the Application indicated that THESL would be providing additional material regarding: 1) the disposition of the Smart Meter deferral account; 2) an adjustment to the rate base to reflect Smart Meter assets; and 3) recovery of Lost Revenue Adjustment Mechanism ("LRAM") and Shared Savings Mechanism ("SSM") amounts related to 2005 and 2006 Conservation and Demand Management activities. THESL filed a supplementary application, received by the Board on March 19, 2007, addressing each of these items, and, in addition, the "re-implementation of a revised Smart Meter rate rider for 2007." THESL filed an amendment to this supplementary application on March 23, 2007.

On March 27, 2007, the Board advised THESL that it would consider the Smart Meter deferral account and the adjustment to the rate base in a combined proceeding as the notice of the original application had indicated. The Board advised THESL that it would consider the LRAM/SSM elements in a separate proceeding. The Board also indicated that the approval of the 2007 Smart Meter rate adder would be considered at the same time as the original 2007 rates application.

The Board has considered the entire record in this rate application except for those aspects identified above that will be considered in the other proceedings. It has made reference only to such evidence as is necessary to provide context to its findings in this decision.

Aside from the additional material, THESL's rate application was filed on the basis of the guidelines. In fixing new rates and charges for THESL, the Board has applied the policies described in the Report.

After confirming the accuracy of the 2006 rate tariff and accompanying materials submitted in the rate application, the Board applied its approved price cap index adjustment to distribution rates (fixed and variable) uniformly across all customer classes. The price cap index is calculated as a price escalator less an X-factor of 1.0%, intended to represent input price and productivity trends. Based on the final 2006 data published by Statistics Canada, the Board has established the price escalator to be 1.9%. The resulting price cap index adjustment is therefore 0.9%.

The large corporation tax allowance that was included in 2006 rates was removed prior to the application of the price cap index adjustment.

The price cap index adjustment was not applied to the following components of the rates:

- the specific service charges;
- the regulatory asset recovery rate rider; and
- the smart meter rate adder (an amount in the fixed components of the rates associated with smart meter cost recovery).

THESL's supplementary application requested an amount for smart meter costs using the Board's 2007 EDR Smart Meter Calculation Model. The Board has approved an amount of \$0.68 per 30 days per metered customer. THESL's variance accounts for smart meter program implementation costs, previously authorized by the Board, are continued.

THESL's standby rates were approved as interim by the Board in its 2006 distribution rates order. The Board is still examining the issues related to standby rates, and is not in a position to make a final order for these rates at this time. The standby rates will be adjusted by the price cap index but remain interim.

The Board has made the necessary adjustments to THESL's filed 2006 Tariff of Rates and Charges to produce a new Tariff of Rates and Charges to be effective May 1, 2007. The Board finds the rates and charges in the Tariff of Rates and Charges attached as Appendix A to this decision to be just and reasonable.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix A of this order is approved, effective May 1, 2007, for electricity consumed or estimated to have been consumed on and after May 1, 2007.
2. The Tariff of Rates and Charges set out in Appendix A of this order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for THESL, and is final in all respects, except for the standby rates which are approved as interim.
3. THESL shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 12, 2007.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Appendix A

EB-2007-0582

April 12, 2007

ONTARIO ENERGY BOARD

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

TARIFF OF RATES AND CHARGES

Effective May 1, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2007-0582

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of THESL and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by THESL's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES - May 1, 2007 for all consumption or deemed consumption services used on or after that date.
 SPECIFIC SERVICE CHARGES - May 1, 2007 for all charges incurred by customers on or after that date.
 LOSS FACTOR ADJUSTMENT – There are no changes to the current loss factors.

SERVICE CLASSIFICATIONS

Residential

This classification refers to an account where the electricity is used exclusively in a separately metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. Bulk metered residential buildings with up to six units also qualify as residential customers.

General Service Less Than 50 kW

This classification refers to a non-residential account whose monthly average peak demand is less than, or is forecast to be less than 50 kW.

General Service 50 to 4,999 kW

50-1000 kW Non-Interval Meter:

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than 50 kW but less than 1,000 kW, or is forecast to be equal to or greater than 50 kW but less than 1,000 kW and with a non-interval meter. This rate also applies to bulk metered residential apartment buildings or the house service of a residential apartment building with more than 6 units.

50-1000 kW Interval Meter:

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than 50 kW but less than 1,000 kW, or is forecast to be equal to or greater than 50 kW but less than 1,000 kW and with an interval meter. This rate also applies to bulk metered residential apartment buildings or the house service of a residential apartment building with more than 6 units.

Intermediate Use between 1000-5000 kW:

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than 1,000 kW but less than 5,000 kW, or is forecast to be equal to or greater than 1,000 kW but less than 5,000 kW. This rate also applies to bulk metered residential apartment buildings or the house service of a residential apartment building with more than 6 units.

Large Use

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

TARIFF OF RATES AND CHARGES

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EB-2007-0582

Unmetered Scattered Load

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand at each location is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by THESL and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption.

Standby Power

These classifications refer to an account that has Load Displacement Generation and requires THESL to provide back-up service.

Street Lighting

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

MONTHLY RATES AND CHARGES

Residential

Service Charge (includes Smart Meter rate adder of \$0.68)	\$	12.68 per 30 days
Distribution Volumetric Rate	\$/kWh	0.0155
Regulatory Asset Recovery	\$/kWh	0.0032
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0057
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Debt Retirement Charge	\$/kWh	0.007
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25 per 30 days

General Service Less Than 50 kW

Service Charge (includes Smart Meter rate adder of \$0.68)	\$	16.75 per 30 days
Distribution Volumetric Rate	\$/kWh	0.0185
Regulatory Asset Recovery	\$/kWh	0.0015
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0058
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Debt Retirement Charge	\$/kWh	0.007
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25 per 30 days

General Service 50 to 4,999 kW

Non Interval Meters – 50 to 1,000 kW

Service Charge (includes Smart Meter rate adder of \$0.68)	\$	26.26 per 30 days
Distribution Volumetric Rate	\$/kVA	4.98 per 30 days
Regulatory Asset Recovery	\$/kVA	0.31 per 30 days
Retail Transmission Rate – Network Service Rate	\$/kW	2.23 per 30 days
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.68 per 30 days
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Debt Retirement Charge	\$/kWh	0.007
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25 per 30 days

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

TARIFF OF RATES AND CHARGES

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EB-2007-0582

Interval Meters – 50 to 1,000 kW

Service Charge (includes Smart Meter rate adder of \$0.68)	\$	26.50 per 30 days
Distribution Volumetric Rate	\$/kVA	4.98 per 30 days
Regulatory Asset Recovery	\$/kVA	0.09 per 30 days
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.27 per 30 days
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.71 per 30 days
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Debt Retirement Charge	\$/kWh	0.007
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25 per 30 days

1,000 to 5,000 kW

Service Charge (includes Smart Meter rate adder of \$0.68)	\$	718.10 per 30 days
Distribution Volumetric Rate	\$/kVA	4.16 per 30 days
Regulatory Asset Recovery	\$/kVA	0.07 per 30 days
Retail Transmission Rate – Network Service Rate	\$/kW	2.40 per 30 days
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.77 per 30 days
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Debt Retirement Charge	\$/kWh	0.007
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25 per 30 days

Large Use

Service Charge (includes Smart Meter rate adder of \$0.68)	\$	2,758.98 per 30 days
Distribution Volumetric Rate	\$/kVA	3.55 per 30 days
Regulatory Asset Recovery	\$/kVA	0.07 per 30 days
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.50 per 30 days
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.80 per 30 days
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Debt Retirement Charge	\$/kWh	0.007
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25 per 30 days

Standby Power – APPROVED ON AN INTERIM BASIS

Standby Charge – for a month where standby power is not provided. The Distribution Volumetric Rate is applied to the contracted amount (e.g. nameplate rating of generation facility).

Service Charge	\$	197.91 per 30 days
Distribution Volumetric Rate:		
General Service 50 – 1,000 kW	\$/kVA	4.98 per 30 days
General Service 1,000 – 5,000 kW	\$/kVA	4.16 per 30 days
Large Use	\$/kVA	3.55 per 30 days

Unmetered Scattered Load

Monthly Service Charge	\$	1.99 per 30 days
Service Charge (per connection)	\$	0.29 per 30 days
Distribution Volumetric Rate	\$/kWh	0.0180
Regulatory Asset Recovery	\$/kWh	0.0014
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0058
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Debt Retirement Charge	\$/kWh	0.007
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25 per 30 days

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

TARIFF OF RATES AND CHARGES

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EB-2007-0582

Street Lighting

Service Charge (per connection)	\$	0.26 per 30 days
Distribution Volumetric Rate	\$/kVA	3.60 per 30 days
Regulatory Asset Recovery	\$/kVA	0.08 per 30 days
Retail Transmission Rate – Network Service Rate	\$/kW	2.75 per 30 days
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.03 per 30 days
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Debt Retirement Charge	\$/kWh	0.007
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25 per 30 days

Specific Service Charges

Customer Administration		
Duplicate Invoices for Previous Billing	\$	15.00
Easement Letter	\$	15.00
Income Tax Letter	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned Cheque (plus bank charges)	\$	15.00
Special Meter Reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of Account Charge – No Disconnection	\$	30.00
Disconnect/Reconnect Charges for non-payment of account		
- At Meter During Regular Hours	\$	65.00
- At Meter After Hours	\$	185.00
Install/Remove Load Control Device – During Regular hours	\$	65.00
Install/Remove Load Control Device – After Regular hours	\$	185.00
Disconnect/Reconnect at Pole – During Regular Hours	\$	185.00
Disconnect/Reconnect at Pole – After Regular Hours	\$	415.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Specific Charge for Access to the Power Poles – per pole/year (Third Party Attachments to Poles)	\$	18.55
Specific Charge for Access to the Power Poles – per pole/year (Hydro Attachments on Third Party Poles)	\$	(22.75)
Allowances		
Transformer Allowance for Ownership	\$/kVA	(0.62) per 30 days
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

TARIFF OF RATES AND CHARGES

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EB-2007-0582

LOSS FACTORS

Billing Determinant:

The billing determinant is the customer's metered energy consumption adjusted by the Total Loss Factor as approved by the Board and set out in this Schedule of Rates.

(A) Primary Metering Adjustment	0.99
(B) Supply Facilities Loss Factor	1.0045
Distribution Loss Factors	
(C) Customer less than 5,000 kW	1.0330
(D) Customer greater than 5,000 kW	1.0141

Total Loss Factors

Secondary Metered Customers	
(E) Customer less than 5,000 kW (B)*(C)	1.0376
(F) Customer greater than 5,000 kW (B)*(D)	1.0187

Primary metered customers	
(G) Customer less than 5,000 kW (A)*(E)	1.0272
(F) Customer greater than 5,000 kW (A)*(F)	1.0085

RETAIL SERVICE CHARGES

These are charges for service provided by THESL to retailers or customers related to the supply of competitive electricity and are defined in the 2006 Electricity Distribution Rate Handbook.

Establishing Service Agreements

Charge to a retailer:

- standard charge (one-time charge) of \$100 per agreement, per retailer.
- monthly fixed charge of \$20 per month, per retailer.
- monthly variable charge of \$0.50 per month, per customer

Distributor-Consolidated Billing

A standard distributor-consolidated billing charge of \$0.30 per month, per customer, will be collected from the retailer.

Retailer-Consolidated Billing

An avoided cost credit of \$0.30 per month, per customer, will be paid to a retailer that chooses retailer-consolidated billing.

Service Transaction Requests (STR)

- request fee of \$0.25 per request, regardless of whether or not the STR can be processed.
- processing fee of \$0.50 per request, applied to the requesting party if the request is processed.